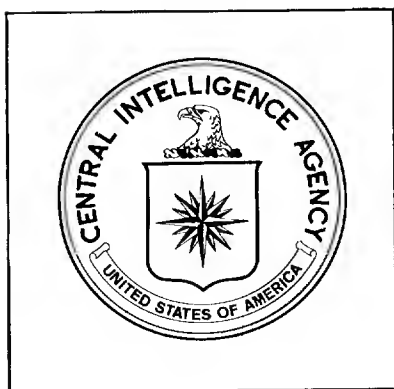


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WESTERN EUROPE — CANADA — INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Commodity Issues: Dialogue of the Deaf

The developed countries in the Organization for Economic Cooperation and Development are having trouble agreeing on how to cope with the demands of the developing states on a better deal for their raw material exports.

The developing states, for their part, are not taking any initiative to moderate their demands that are embodied in the declaration for a new international economic order and the Charter of Economic Rights and Duties of States. The situation adds up to a deadlock that could intensify the quarrel between developed and developing states at the special session of the UN General Assembly this fall. It could also derail an attempt to convene a new conference of oil producers and consumers.

At the recently concluded first meeting of a high-level group established by the OECD ministerial council to discuss commodity issues, the delegates put off until fall--after the special UN session--any further discussion of possible replies to developing countries' demands for a new deal on trade in raw materials. The delegates could not agree on a general approach and individual objections stymied those specific proposals that were floated. The debate followed expected lines:

- the French urged development of commodity agreements.
- the Germans rejected commodity agreements and pushed for an earnings stabilization program for developing states with some

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similarities to the earnings stabilization plan which the EC has inaugurated with 46 developing states in Africa, the Caribbean and the Pacific--Bonn wants the IMF to fund the tab for a global scheme.

--the Australians endorsed both price stabilization through commodity agreements and earnings stabilization to pick up the slack.

The high-level group agreed to study several specific commodities but insisted that the selection in no way bound the OECD countries to support these markets. Selected were: rubber, copper, cocoa, hard fibers, tea, jute and sugar.

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Earlier in the week the members of the International Energy Agency met and reaffirmed their support for reconvening a conference of oil producers and consumers. These states--18 of the 24 OECD members--came no closer, however, to agreeing on substantive ways to meet the developing countries' demands on raw materials. In the absence of concessions in this forum it is unlikely that the producer/consumer conference can be reconvened before the special UN session or the OPEC experts conference at which new oil prices will be set.

The dialogue of the deaf which is blocking progress on any front in relations between rich and poor states was clearly reflected in the meeting between a representative of the West German government--one of the most conservative industrialized states--and the President and oil minister of Algeria--the firebrand of radical developing states.

The German official is on a good-will tour of those states involved in the Paris energy conference of April and intends to demonstrate Bonn's "genuine interest" in the resumption of an energy

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conference and in finding ways to close the gap between the positions of the developed and developing states.

The Algerians reiterated their usual stand that they do not intend to play their trump--oil and oil prices--in the absence of concessions from the industrialized states. The German countered that the industrialized states cannot be expected to play their own trump--their technological know-how--without concessions from the oil producers and softening of the developing countries' demands. The meetings were polite, though criticism of Germany was sharp, and both sides expressed "grave concern" for the state of the world economy, but the concern is evidently not yet sufficient to generate movement on matters of fundamental principle. (Confidential No Foreign Dissem)

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Portuguese Military Leaders Seek to Avoid Power
Confrontation with Security Forces

3 | The Portuguese Revolutionary Council has reversed its decision to turn the Catholic radio station--now occupied by leftwing workers--back to the Church, and backed down on a train fare hike that had drawn a storm of protest.

3 | The decision to return the station to the Church--announced on Tuesday by Prime Minister Goncalves and Information Minister Jesuino--led to a bitter outcry by the station workers and several extreme leftwing factions. The Council, apparently sensitive to criticism from these groups, decided instead to nationalize all radio stations and to open the airwaves to "all forces," including both the Church and the workers.

The Council's decision followed an all-night session and is not yet backed by proper legislation. Until the decree-law is completed, the Catholic radio station will remain in the hands of the military commission that has run the station since last March.

4 | The Church hierarchy, having threatened a break with the government if the station is not returned to ecclesiastical control, is not likely to accept the Council's decision in silence.

4 | If military leaders had backed the first stand and decided to remove the workers by force, they would have risked a clash with the increasingly independent security troops who might have refused to carry out the order. The Council cannot risk such a challenge to its authority at this time and is apparently backing off from any such confrontation.

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The current wave of social unrest in Portugal is mainly attributable to extreme leftwing groups, some of which are closely connected with the security forces and its commander, General Otelo de Carvalho. The extremists have discovered that, in many cases, pressure tactics will get them what they want. In the case of the continuing negotiations over control of the Socialist newspaper Republica, for instance, both the Socialist management and the Communist-lying workers reportedly are ready to reach a compromise in order to end the dispute. Union members sympathetic to the extreme left, however, appear to have split with the Communists and by refusing to modify their position, have further confused the situation.

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If the discussions remain deadlocked, the government may be forced to impose a solution. Information Minister Jesuino has hinted that settlement of the dispute may again require the government to assume control and appoint military officers to the editorial board. Jesuino also has announced that the government intends to create a state press agency to regulate all newspapers and plans to reduce the number, size, and distribution of papers "because of salary and paper cost increases."

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The Armed Forces Movement has come under increasing criticism by the far left and reportedly has become the butt of a growing number of popular jokes. The unwillingness of the Revolutionary Council to take a stand and then to stick by it only adds fuel to leftwing charges of governmental weakness.

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The extremists are also sniping at the Communists who are being criticized for their reluctance to speak out against the military government. The far left seized on the hike in train fares--effective July 1--to accuse the transportation minister, a member of the Communist Party, of initiating "anti-worker" policies. The minister, who charged the far

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left with being "out to get him," was overruled by the Revolutionary Council at the same all-night session that decided to take over the Church radio station.

These instances of the Revolutionary Council backing down in the face of opposition points up the Armed Forces Movement's susceptibility to pressure as well as its desire to appear to be on the side of the workers. The policy reversal also illustrates the shifting majority within the Council.

The US Embassy in Lisbon has identified three factions within the 30-man Council and has estimated their comparative strength as follows:

- Communist sympathizers, numbering six led by Prime Minister Goncalves.
- Left Nationalists; the largest faction, with 13 supporters, led by Admiral Rosa Coutinho and General Otelo de Carvalho.
- Democratic Socialists; nine adherents led by President Costa Gomes, Foreign Minister Antunes, and the chiefs of the three armed services.

The newly formed 11-man central committee of the Revolutionary Council--charged with overseeing the Council's daily business--does not seem to reflect this power balance. The moderates, or democratic socialists, appear to have placed five members on the central committee, as compared to four for the left nationalists, and only one for the Communist-leaning group--Prime Minister Goncalves. One committee member appears to be an independent.

Numbers do not tell the whole story, however, as is evident in the seemingly contradictory statements and decisions issued by the Council. The

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factions align differently on various issues and only a few of the members are solidly committed to any particular line. The US embassy credits the moderates strength to the prestige and power of persuasion brought to the deliberations by such officers as President Costa Gomes and Foreign Minister Antunes. The pro-Communist group benefits by being able to bring a unified world view into a group that is frequently marked by indecision and confusion. The left nationalists, on the other hand, may be the most flexible, and both Admiral Rosa Coutinho and General Carvalho carry considerable prestige. (Confidential)

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